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To join the section, SOA members and non-members can locate a membership form on the Investment Section Web page at www.soa.org/investment

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CHAIRPERSON'S CORNER

We have a turbulent time ahead of us. Although scary, the opportunities can be great if our profession continues to be proactive and to evolve with its environment. Rapidly changing demographics, technology, economies, and the inter-relationships among them have been creating a more complex world. We can't afford to rely on investment strategies and long-term financial planning techniques that were developed decades ago for much different times.

For several decades, expected returns have served as the crux of "long-term" financial planning for individuals, pensions and many social programs. Unfortunately, after a decade of sub-par returns, it is evident there are shortcomings to this approach. Equity returns were essentially flat in the 2000s, yet annual expected returns for the asset class commonly hovered around 10 percent. What other actuarial assumption has been off by more than 15,000 bps within a decade?

Historical returns often serve as the foundation for establishing return expectations. However, it's debatable whether historical returns are even relevant. We live in a complex global economy. Technological advances can change our perception of reality in an instant and can drive not only how global wealth is allocated among and within countries, but also how the global population is distributed. Even more, economic cycles are driven by demographics and technological advances yet, at the same time, are one of the largest drivers of how both factors evolve. Improving our understanding of these relationships, and recognizing the weaknesses of traditional expected return methodologies, should lead to more realistic expectations and to more sustainable social policies.

In the spring, we plan to host a summit regarding long-term financial planning. It will serve as an initial step towards addressing these issues by exploring both how to improve our process for setting expectations, and how to avoid relying on return expectations all together. Subsequent steps will depend on the results of the summit, but will likely include a coordinated effort with other sections (e.g., pension, futurism, long-term care, etc.) and possibly other professional organizations (e.g., CFA Institute). Ultimately, we want to assure actuaries will play an integral role in a sustainable solution.

In addition, there are a number of other items we have been working on, including:

- At the annual meeting, we awarded Jeremy Gold with the Redington Prize for his paper "The Intersection of Pensions & Enterprise Risk Management."
- In January, we surveyed our members to assess where we should focus resources and what areas could use improvement.
- Our annual Investment Symposium will be in New York on March 26–27, 2012 and will feature a new retirement/pension track as well as a number of well-known speak-

ers, including Michael Peskin, Jeremy Gold, Zvi Bodie, Marty Leibowitz, Ron Ryan, Bud Haslett, Emanuel Derman, and Aaron Brown.

- We are partnering with other sections that have similar goals. For example, we are working with the International Section to expand membership outside of North America.

Our objective is to create value for our members. Given that we have limited resources, it is important for us to understand what you value most. Please take a few minutes to respond to our upcoming survey. In the meantime, we hope you enjoy this edition of *Risks & Rewards!* 📧



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